

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



July 22, 2003

Agenda ID #2509

TO: PARTIES OF RECORD IN APPLICATION 99-04-024

This is the proposed decision of Administrative Law Judge (ALJ) DeBerry, previously designated as the principal hearing officer in this proceeding. It will not appear on the Commission's agenda for at least 30 days after the date it is mailed. This matter was categorized as ratesetting and is subject to Pub. Util. Code § 1701.3(c). Pursuant to Resolution ALJ-180 a Ratesetting Deliberative Meeting to consider this matter may be held upon the request of any Commissioner. If that occurs, the Commission will prepare and mail an agenda for the Ratesetting Deliberative Meeting 10 days before hand, and will advise the parties of this fact, and of the related ex parte communications prohibition period.

The Commission may act at the regular meeting, or it may postpone action until later. If action is postponed, the Commission will announce whether and when there will be a further prohibition on communications.

When the Commission acts on the proposed decision, it may adopt all or part of it as written, amend or modify it, or set it aside and prepare its own decision. Only when the Commission acts does the decision become binding on the parties.

Parties to the proceeding may file comments on the proposed decision as provided in Article 19 of the Commission's "Rules of Practice and Procedure." These rules are accessible on the Commission's website at <http://www.cpuc.ca.gov>. Pursuant to Rule 77.3 opening comments shall not exceed 15 pages. Finally, comments must be served separately on the ALJ and the assigned Commissioner, and for that purpose I suggest hand delivery, overnight mail, or other expeditious method of service.

/s/ ANGELA K. MINKIN
Angela K. Minkin, Chief
Administrative Law Judge

ANG:hkr

Decision **PROPOSED DECISION OF ALJ DEBERRY** (Mailed 7/22/2003)

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Southern California Edison Company (U 338-E) for Authority to Recover Capital Additions to its Fossil Generating Facilities Made Between January 1, 1997 and March 31, 1998 or the Date of Divestiture for Those Generating Facilities Divested by July 8, 1998 and Related Substantive and Procedural Relief.

Application 99-04-024
(Filed April 19, 1999)

Carol A. Schmid-Franzee, Attorney at Law, for Southern California Edison Company, applicant.
Robert Finkelstein, Attorney at Law, for The Utility Reform Network, interested party.
Robert C. Cagen, Attorney at Law, for the Office of Ratepayer Advocates.

OPINION FOR CAPITAL ADDITIONS

TABLE OF CONTENTS

Title	Page
OPINION FOR CAPITAL ADDITIONS.....	2
I. Summary.....	2
II. Procedural Background.....	2
III. Background.....	5
IV. Edison’s 1997 and 1998 Capital Additions Budgets	7
V. Discussion	10
A. Environmental, Regulatory, Safety and FERC Relicensing Capital Additions.....	10
B. Treatment of Divested Plant Capital Additions	11
VI. Divested Plants Sold at a Loss	14
VII. ORA and TURN Recommended Disallowed Capital Additions	14
VIII. Comments by Parties to Proposed Decision	14
IX. Assignment of Proceeding.....	15
Findings of Fact	15
Conclusions of Law.....	16
ORDER.....	16

Appendix A: COSTS ALLOWED

Appendix B: COSTS PREVIOUSLY RECOVERED—OIL & GAS PLANTS DIVESTED AT A GAIN

Appendix C: COSTS PREVIOUSLY AMORTIZED—OIL & GAS PLANTS DIVESTED AT A LOSS

OPINION FOR CAPITAL ADDITIONS

I. Summary

This decision adopts capital additions of \$15,991,000 for Southern California Edison Company (Edison) for non-nuclear generation plant added to rate base in 1997 through March 31, 1998 for non-divested generation plant, and through July 8, 1998, for divested generation plant. The amounts adopted in this decision for capital additions will be included in Edison's Non-Nuclear Generation-Related Capital Additions Memorandum Account. Capital addition costs of \$36,225,000 for divested non-nuclear generation plant between 1997 and July 8, 1998 have already been recovered from ratepayers either through gain on sale in the market or by amortization over the transition period. An additional \$30,937,000 in capital additions to retained non-nuclear generation plant will be addressed in Application (A.) 02-05-004. This decision further provides that the divested plant capital addition costs should not be included in Edison's going forward memorandum accounts and should not be recovered a second time from ratepayers.

II. Procedural Background

In Decision (D.) 97-09-048, issued in the electric industry restructuring rulemaking (R.) 94-04-031, the Commission established the approach for evaluating the appropriateness of the utilities' recovery of capital additions made to non-nuclear generating plant (hereinafter referred to as "capital additions") to determine compliance with § 367¹ during the transition period. For capital additions made during 1996 and 1997, the period before the Power Exchange

¹ All references are to the California Public Utilities Code unless otherwise noted.

(PX) and Independent System Operator (ISO) were scheduled to begin operations, the Commission provided for recovery based on an *ex post facto* review of recorded expenditures. The *ex post facto* review was subsequently extended to capital expenditures incurred in 1998 prior to the opening of the ISO and PX on April 1, 1998. (D.98-03-054.)² A market control approach was adopted for recovery of capital additions made during the rest of the transition period.

Edison filed this application on April 19, 1999.³ The Office of Ratepayer Advocates (ORA) and The Utility Reform Network (TURN) filed protests to the application. A prehearing conference (PHC) was held on July 1, 1999, with Commissioner Bilas in attendance. ORA and TURN subsequently submitted testimony. Edison submitted rebuttal testimony and made several rounds of revisions to its testimony.

The Commission held five days of hearings regarding Edison's application on February 7-11, 2000. During the evidentiary hearings, Edison offered, for the first time, direct testimony of a witness that contradicted both its prepared written testimony and the oral testimony of its other witnesses on a central issue. Accordingly, the parties were given an opportunity to conduct more discovery

² The decision allowed recovery of reasonable and necessary capital additions made prior to March 31, 2001 for plants that were not divested, and for reasonable and necessary capital additions made through the date of divestiture, which was required to be completed within 90 days of the beginning of ISO/PX operations (June 30, 1998). Subsequently, the Commission also issued an Order Modifying Decision 97-09-048 To Correct A Typographical Error, and Denying Rehearing of the Decision, as Modified, reiterating the principles set forth in the original decision. (D.99-03-061.)

³ D.97-09-048 required the application to be filed within 30 days after recorded data is available. Edison states that recorded data was available on January 12, 1999 but that it was granted an extension and allowed to file its application within 30 days after issuance of the Commission's decision on its 1996 capital additions. D.99-03-055 was issued on March 18, 1999.

and to submit further evidence and the evidentiary hearing was continued to March 10, 2000. The parties filed opening briefs on March 31, 2000 and reply briefs on April 14, 2000. Additional evidence was submitted, pursuant to Administrative Law Judge (ALJ) request, on July 6, 2000, and March 6, 2001.

On January 18, 2001, Assembly Bill X1 6 (ABX1 6), amended § 377, to require that utilities retain electric generation plant not yet divested, and prohibited the disposal of retained generation plant until January 1, 2006. Retained generation plant is subject to continued regulation by this Commission. A September 7, 2001, ruling by the assigned ALJ set aside submission of the proceeding and provided parties an opportunity for comments and reply comments on the effects of amended § 377. Comments were filed by Edison, TURN, and ORA on September 28, 2001, and reply comments by TURN on October 12, 2001.

On October 2, 2001, the Commission and Edison entered into a Settlement Agreement (Settlement Agreement). In accordance with the Settlement Agreement, Edison filed Advice Letter (A.L.) 1586-E to establish the associated ratemaking structure and the Procurement Related Obligations Account (PROACT).⁴ On January 23, 2002, the Commission adopted Resolution E-3765 approving the structure and operation of the PROACT. On April 4, 2002, the Commission adopted D.02-04-016,⁵ and directed Edison to file an advice letter detailing its rate base consistent with terms of the Settlement Agreement.⁶ D.02-04-016 also adopted revenue requirements and balancing accounts for the

⁴ PROACT tracks the procurement related obligations, plus interest.

⁵ Opinion Adopting Revenue Requirements for Utility Retained Generation.

⁶ D.02-04-016, mimeo, Ordering Paragraph 11, p. 99.

recovery of reasonable costs. These balancing accounts⁷ were established in A.L. 1614-E. In further response to D.02-04-016, Edison filed A.L. 1618-E on May 5, 2002. A.L. 1618-E modifies the Settlement Rates Balancing Account (SRBA). Edison transfers activities in the NLBA, PPBA, and ISOBA to the SRBA on a monthly basis. A.L. 1618-E states that this proceeding remains as one of three generation-related proceedings currently pending before the Commission. Furthermore, A.L. 1618-E states that the return and taxes calculated through December 31, 2001 on the 1997 and 1998 capital additions at issue in this proceeding are included in the Non-Nuclear Generation-related Capital Additions Memorandum Account (NGCAMA).⁸

On September 9, 2002, the assigned ALJs in this proceeding and in A.02-05-004, issued a joint ruling requesting Edison to provide testimony on capital additions made in 1997 and 1998 for reliability and obsolescence projects in A.02-05-004 (Joint Ruling). Attachment A to the Joint Ruling listed those projects to be removed from this proceeding and to be addressed in A.02-05-004. A letter from Edison on September 18, 2002, clarified that the projects and amounts for capital additions in retained plants under \$100,000 are in coal and hydro plants. The total amount of reliability and obsolescence projects to be considered in A.02-05-004 is \$30,937,000.

III. Background

Section 367, adopted as a part of AB 1890, which guides the implementation of electric restructuring, provides the standard and requirements

⁷ The three balancing accounts are: (1) Native Load Balancing Account (NLBA), (2) Purchased Power Balancing Account (PPBA), and (3) Independent System Operator Balancing Account (ISOBA).

⁸ See A.L. 1618-E, p. 7.

for an electric utility to receive cost recovery through the competition transition charge (CTC) for capital additions incurred after 1995. Section 367 provides, in pertinent part:

The Commission shall identify and determine those costs and categories of costs for generation-related assets and obligations, consisting of generation facilities . . . and the appropriate costs incurred after December 20, 1995, for capital additions to generating facilities existing as of December 20, 1995, that the Commission determines are reasonable and should be recovered provided that these additions are necessary to maintain the facilities through December 31, 2001.

To implement § 367, D.97-09-048 stated that we would consider “the following criteria, *among others*, in determining the reasonableness of 1996 and 1997 recorded expenditures on a case-by-case basis:

1. Consistency with recent capital budgets and expenditures for respective power plants;
2. The need for compliance with other regulatory requirements;
3. Cost effectiveness; and
4. The impact of the capital addition on the unit’s heat rate and output.” (*Emphasis* in original.) (*Id.*, *mimeo*, at p. 19.)

Capital additions that are found to be reasonable and necessary to maintain the facilities through December 31, 2001 would then be included in the Transition Cost Balancing Account (TCBA) for recovery from all ratepayers through the CTC.

We reviewed Edison’s application for recovery of its 1996 capital additions (A.97-10-024) using the criteria described above and, in D.99-03-055, resolved several issues regarding the components Edison used to demonstrate the cost

effectiveness of its projects. Thus, we adopted a capacity value of \$962/MW/day, rejected use of a forced outage factor, and, for 1996 capital additions only, adopted a 20-year payback period. We also determined that it was appropriate for Edison to group together projects costing under \$100,000 without providing detailed information for our review.

In D.99-03-055, we explained the core purpose of our review:

“our scrutiny of these generating costs is critical because our approval of them means they will be recoverable by way of the competitive transition charge (CTC), a surcharge which may not be bypassed by customers. The implication is that non-generation customers will assume certain costs of generation after the initiation of direct access. Edison’s competitors are affected because they may not pass along such costs to Edison’s nongeneration customers. The recovery of the costs anticipated in § 367 thereby creates a competitive advantage for Edison. In assessing the reasonableness of Edison’s 1996 capital additions, therefore, we must consider two competing concerns: the need to satisfy the requirements of § 367 and the effects on competition and captive customers of including such costs in the CTC.” (D.99-03-055, at p. 3.)

IV. Edison’s 1997 and 1998 Capital Additions Budgets

Edison seeks recovery of \$83.153 million⁹ in capital additions for 1997 and through March 31, 1998 for non-divested non-nuclear generation plants, and through the date of divestiture, not later than July 8, 1998, for divested generation plants.¹⁰ (Revised Jt. Exh. 400B.) \$52.718 million in capital additions were made

⁹ In its application, Edison sought recovery for \$83.9 million in capital addition costs. Edison withdrew its requests related to three Work Orders (WO), totaling \$695,000 (WOs 1413-0402, 3398-0440, and 1320-0546) and reduced the amount requested for two other WOs (2314-0428 and 2314-0429) by \$85,000.

¹⁰ D.98-03-054 provides for recovery of capital additions made to divested plants through the date of divestiture, which were required to be completed by 90 days after

Footnote continued on next page

to fossil generating plants while \$30.435 million in capital additions were made to hydroelectric plants.

Edison segregates its capital additions projects into six categories:

(1) replacement of broken or obsolete components (reliability or obsolescence projects); (2) compliance with regulatory (e.g., environmental) requirements; (3) maintenance of a safe working environment; (4) compliance with Federal Energy Regulatory Commission's (FERC) hydroelectric generation relicensing requirements; (5) metering projects to enable participation in the new market structure; and (6) projects required for divestiture of fossil-fired generation facilities. Edison contends that each of these projects was appropriate, reasonable, and necessary to maintain the facilities through December 31, 2001, considering the circumstances and information available at the time the decisions to go forward with the projects were made. It argues that all of its capital additions meet the criteria set forth in D.97-09-048 in that its costs were at levels below recent capital expenditures, that many were for compliance with regulatory requirements, that they were cost effective based on reasonable assumptions, and that any impact on the unit's heat rate was an incidental result of a project required to maintain system reliability.

the beginning of ISO/PX operations. (*Id.*, *mimeo*, at p. 4, Ordering Paragraph 2.) Edison seeks recovery of capital additions made to its Ormond Beach fossil generation plant through July 8, 1998, 98 days after the start of ISO/PX operation. Edison asserts, however, that it should be permitted to recover these costs because the Commission was not able to approve the divestiture until this date. No party has objected to Edison's recovery of these capital additions on this basis. Under the circumstances, we believe that this minimal delay was reasonable and permit Edison to continue with its claim.

ORA proposes to disallow \$44.659 million of the gross capital additions while TURN proposes to disallow \$24.315 million. (Jt. Exh. 400B.)¹¹ Some, but not all of ORA's and TURN's proposed disallowances overlap. If we were to adopt all of TURN's and ORA's proposed disallowances, the total amount disallowed would equal \$47.912 million, about 60% of Edison's proposed recovery.

The bulk of TURN's and ORA's cost recovery objections pertain to the costs associated with investments Edison contends were made to improve reliability or to forestall obsolescence. TURN's objections are limited to projects at the fossil fuel-fired plants while ORA's objections also encompass projects at the hydroelectric plants. TURN and ORA also oppose recovery of the cost of spare parts purportedly incurred for divestiture of fossil fuel-fired generation plants and ORA opposes CTC cost recovery of revenue metering projects installed to enable participation in the new market structure at Edison's retained coal and hydroelectric plants. TURN and ORA generally do not oppose Edison's investments in projects required to fulfill safety or environmental standards or regulatory or hydroelectric relicensing requirements.

With respect to the projects for which they seek disallowance, TURN and ORA contend that the projects were not necessary to maintain the plants through 2001 and were unreasonably incurred. They challenge Edison's cost effectiveness

¹¹ Joint Exhibit 400B identifies the work orders challenged by TURN and ORA together with the reasons for seeking disallowance of the associated costs. TURN and ORA originally challenged many more work orders. However, after Edison provided further information documenting the claims, both in discovery and at the evidentiary hearing, TURN and ORA withdrew many of their objections. Joint Exh. 400B has been updated to reflect the total work orders challenged by TURN and ORA in this proceeding. Significantly, TURN withdrew its objection to Edison's transmission metering projects based upon evidence not submitted until the hearing.

calculations, including the selected payback periods, the fuel savings or heat rate assumptions, the catastrophic event calculations, and other factors that are project-specific, as well as the timing of the projects. ORA and TURN also challenge projects where the actual costs varied greatly from the cost estimates used in the cost effectiveness calculations. TURN asks us to analyze Edison's capital additions on a project-by-project basis instead of adopting general criteria for Edison to apply, as we did with respect to Edison's 1996 capital additions in D.99-03-055. TURN also seeks a ruling prohibiting Edison from recovering costs disallowed because they are unreasonable either directly or indirectly through the sunk cost balances recorded in the TCBA.

V. Discussion

Since capital additions in retained plants (\$30,937,000) will be addressed in A.02-05-004, we need not consider them here. The capital additions have been recorded in the NGCAMA, a memorandum account. We separate the remaining capital additions (\$52,216,000) into three categories, listed in Appendices A, B, and C:

1. Capital additions for environmental, regulatory, and safety purposes and FERC relicensing requirements (Appendix A—\$15,991,000);
2. Capital additions for oil and gas plants divested at a gain (Appendix B—\$25,959,000); and
3. Capital additions for oil and gas plants divested at a loss (Appendix C—\$10,266,000).

A. Environmental, Regulatory, Safety and FERC Relicensing Capital Additions

We will allow Edison to recover its costs associated with capital additions in retained plants that were made for regulatory, environmental, and safety purposes as well as to meet FERC relicensing requirements. TURN and

ORA have fully reviewed these expenditures and, because of the nature of these costs, they are deemed necessary to maintain the facilities through December 31, 2001. The costs allowed on this basis are set forth in Appendix A, attached to this decision. We will devote the remainder of this decision to the costs incurred for those investments incurred for plant that has been divested.

B. Treatment of Divested Plant Capital Additions

Edison seeks recovery for capital additions both to divested plants and to those that were not divested. Of the divested plants, several were sold for substantially over book value, and two were sold for less than book value as follows:

Plant	Book Value	Sale Price
Alamitos, Huntington, & Redondo:	\$229 mil.	\$781 mil.
Cool Water Generating Station:	\$79 mil.	\$186 mil.
El Segundo Generating Station:	\$71 mil.	\$87.75 mil.
Etiwanda, Ellwood, & Mandalay:	\$47 mil.	\$51 mil.
<u>San Bernardino & Highgrove:</u>	<u>\$6 mil.</u>	<u>\$9.5 mil.</u>
Subtotals	\$ 432 mil.	\$1,115.25 mil.
Ormand Beach	\$125 mil.	\$40 mil.
Long Beach	<u>\$100 mil</u>	<u>\$30 mil</u>
Totals:	\$657 mil.	\$1,185.25 mil.

(A.96-11-046, D.97-12-106, D.98-03-077, D.98-07-030, and D.98-07-077.)

In D.97-09-048, we provided that the utilities' ability to recover reasonable and necessary capital additions occurring prior to divestiture of the plants, using the *ex post facto* review mechanism, "will cease the earlier of (1) when the plant is sold or (2) March 31, 1998¹² and should only apply to capital additions not otherwise recovered through the marketplace." (*Id.*, at p. 3.) Thus

¹² As discussed above, this date was later extended to June 30, 1998.

we need not review the reasonableness of capital additions that were recovered through a sale value over book value.

Edison's Revenue and Tariffs Division supervisor testified to the accounting treatment of capital additions associated with divested non-nuclear generating facilities. He testified that, if these capital additions were found to be reasonable, no adjustment to the TCBA would be necessary because "the applicable capital addition would have already been included in the gain or loss on sale calculation, and included in the operation of the TCBA."¹³

Given Mr. Durgin's testimony, for the plants that sold for over book value, it would seem that the capital additions have already been "recovered through the marketplace," at least to the extent that the undepreciated cost of the capital additions was less than the sale price. To the extent that these capital additions already were recovered through the sale price by reducing the credit to the TCBA, they should not be recovered again through the NGCAMA.¹⁴ This finding is also consistent with the overall statutory scheme that provides only for the recovery of *uneconomic* costs. Section 367 provides for the recovery of costs for generation-related assets and obligations that:

were being collected in commission-approved rates on December 20, 1995, and that may become uneconomic as a result

¹³ We interpret Mr. Durgin's testimony to mean that Edison recouped the original plant investment (book value) plus the capital additions from the sale proceedings and credited the remainder to the TCBA as a gain available to ratepayers. For example, assume that the plant sold for \$200 million, the book value before the capital additions was \$100 million, and the cost of the capital additions was \$10 million. In this example, we assume, based on Mr. Durgin's testimony, that Edison credited \$90 million to the TCBA for the benefit of ratepayers.

¹⁴ A.L. 1618-E indicates that these adjustments to capital additions recovered through the sales price are now recorded in the NGCAMA.

of a competitive generation market, in that these costs may not be recoverable in market prices in a competitive market.

The total cost of the capital additions to Edison's divested oil/gas-fired generating stations—Alamitos, Huntington, Redondo, Cool Water, El Segundo, Etiwanda, Ellwood, Mandalay, San Bernardino, and Highgrove—were substantially less than the sum of their respective sale prices; thus, we find that the capital additions to these plants are not recoverable a second time through the NGCAMA or any other accounting mechanism. These divested plant capital addition costs that have already been recovered are set forth in Appendix B.

In our decision regarding Edison's 1996 capital additions (D.99-03-055) we rejected Edison's argument that capital additions for plants that were sold above book value were necessarily economic and reasonable because the "test of whether a cap ad is reasonable is not whether the associated plant may be sold at levels above book value" but whether it "adds value to the plant."¹⁵ However, the only issue that was posed and that we addressed in that case concerned cost effectiveness. That is, we were asked simply to evaluate whether we could presume that a capital investment was cost effective and reasonable by the mere fact that the plant sold for greater than book value. And, we concluded that we could not. We did not address the issue we face today, that is, whether Edison has been compensated for its capital additions since the plants were sold for substantially greater than book value. We conclude now that Edison has been so compensated to the extent that the sale price exceeds the book value plus the undepreciated cost of the capital additions and therefore no further cost recovery is warranted.

¹⁵ See D.99-03-055, p. 6.

VI. Divested Plants Sold at a Loss

Two divested plants were sold at a loss, Long Beach and Ormand Beach. In D.97-11-074, we directed that any loss associated with sale of assets should be amortized over the transition period¹⁶ from January 1998 through December 2001.¹⁷ Section 2.8 of the Settlement Agreement directs that losses, such as those at Long Beach and Ormand Beach, should be amortized over the remainder of 2001. Pursuant to this direction, Edison filed A.L. 1623-E, pursuant to which the losses, including the related capital additions, have already been amortized. Long Beach and Ormand Beach capital additions are listed in Appendix C.

VII. ORA and TURN Recommended Disallowed Capital Additions

Our adopted decision provides that Edison may only recover those capital additions required for environmental, regulatory, safety, and FERC relicensing purposes. We find that the remaining capital additions have either been recovered through sale over book value, amortization, or are addressed in A.02-05-004. Thus, ORA's and TURN's recommended disallowed capital additions are either adopted or addressed in A.02-05-004.

VIII. Comments by Parties to Proposed Decision

The proposed decision of ALJ DeBerry in this matter was mailed to the parties in accordance with Pub. Util. Code § 311(d) and Rule 77.1 of the Rules and Practice and Procedure. Comments were filed on _____, and reply comments were filed on _____.

¹⁶ Finding of Fact 21, p. 746, 2nd CPUC, Vol. 76.

¹⁷ D.97-06-060.

IX. Assignment of Proceeding

Loretta M. Lynch is the Assigned Commissioner and Bruce DeBerry is the assigned ALJ in this proceeding.

Findings of Fact

1. ABX1 6 signed January 18, 2001, modifying Pub. Util. Code § 377, requires that utilities retain all generation plant not divested until January 1, 2006.

2. As a result of the Settlement Agreement between the Commission and Edison, new accounts have been established to record the cost activities associated with capital additions made in 1997-98.

3. 1997-98 capital additions costs, including return and taxes, are recorded in the NGCAMA.

4. Given the nature of the costs and given the complete review made by TURN and ORA, it is reasonable to deem that the capital additions projects made for regulatory, environmental and safety projects in retained plants are necessary to maintain the facilities through 2001, and are reasonable, and cost effective.

5. The Alamitos, Huntington, Redondo, Cool Water, El Segundo, Etiwanda, Ellwood, Mandalay, San Bernardino, and Highgrove plants were sold for substantially over their book values.

6. Edison has recovered the costs of the capital additions incurred at the Alamitos, Huntington, Redondo, Cool Water, El Segundo, Etiwanda, Ellwood, Mandalay, San Bernardino, and Highgrove plants through the gain on sale in the marketplace by reducing the credit to the TCBA associated with the sale.

7. It is reasonable to deny recovery, through the NGCAMA, or other accounting mechanism, of costs of capital additions already recovered through the gain on sale in the marketplace.

8. The Long Beach and Ormand Beach plants were sold below book value, and the losses from these sales have already been amortized.

Conclusions of Law

1. Edison should be allowed to recover the cost of capital additions projects made for regulatory, environmental and safety projects in its retained plants.

2. Edison should not be allowed to recover the costs of capital additions projects made to the Alamos, Huntington, Redondo, Cool Water, El Segundo, Etiwanda, Ellwood, Mandalay, San Bernardino, and Highgrove plants a second time through the NGCAMA or other accounting mechanism.

3. In order to resolve these issues without further delay, today's decision should be made effective immediately.

O R D E R

IT IS ORDERED that:

1. The application of Edison for recovery of certain capital additions pursuant to Section 367 of the Public Utilities Code is granted to the extent set forth herein and as shown on Appendix A.

2. Application 99-04-024 is closed.

This order is effective today.

Dated _____, at San Francisco, California.

APPENDIX A:
COSTS ALLOWED

Environmental, Regulatory, and Safety Purposes and FERC Relicensing

Work Order	Description	Gross Additions (\$000)
1320-0544	MOGS – REVENUE METERING REQUIRED TO PARTICIPATE IN WEPEX	270
2211-8002	BIG CREEK NO. 1 – INSTALL SURFACE WATER FILTRATION SYSTEM	116
2211-8011	BIG CREEK NO. 1 – INSTALL 20, 000 GALLON DOMESTIC WATER TANK	124
2211-8016	BIG CREEK NO. 1 – WASTE WATER TREATMENT PLANT TANK/WEIR INSTALLATION	213
2230-8006	BIG CREEK NO. 3 – REPLACE DOMESTIC &WASTE WATER SYSTEMS (INCLUDING INSTALLING WELL)	299
2314-0428	ERSKINE FLUME – SEISMIC UPGRADE TO FLUME STRUCTURE	1,322
2314-0429	BODFISH FLUE – SEISMIC UPGRADE	2,266
2202-0301	BIG CREEK CANYON – REVENUE METERING REQUIRED TO PARTICIPATE IN WEPEX	1,324
2301-0305	SANTA ANA RIVER & MILL CREEK CANYON – REVE METERING REQ TO PARTICIPATE IN WEPEX	305
2305-0303	KERN RIVER CANYON – REVENUE METERING REQUIRED TO PARTICIPATE IN WEPEX	519
2307-0303	KAWEAII RIVER CANYON – REVENUE METERING REQUIRED TO PARTICIPATE IN WEPEX	412
2309-0301	SAN GORGONIO CANYON – REVENUE METERING REQUIRED TO PARTICIPATE IN WEPEX	135
2331-0346	ONTARIO NO. 1 – REVENUE METERING REQUIRED TO PARTICIPATE IN WEPEX	155
2501-0318	BISHOP CREEK CANYON – REVENUE METERING REQUIRED TO PARTICIPATE IN WEPEX	528
2503-0306	MONO BASIN – REVENUE METERING REQUIRED TO PARTICIPATE IN WEPEX	145
2328-0434	KERN RIVER NO. 3 – COSTS ASSOCIATED WITH RELICENSING EXISTING FEDERAL PROJECTS	4,912
2503-0302	LEE VINING – COSTS ASSOCIATED WITH RELICENSING EXISTING FEDERAL PROJECT	1,431
2503-0303	RUSH CREEK – COSTS ASSOCIATED WITH RELICENSING EXISTING FEDERAL PROJECTS	1,515
Total		= \$15,991

¹ Revised Joint Comparison Exhibit 400 B for 1997-1998 Capital Additions.

APPENDIX B:¹
COSTS PREVIOUSLY RECOVERED
OIL & GAS PLANTS DIVESTED AT A GAIN

Work Order	Description	Gross Additions (\$000)
1211-0337	REDONDO G/S - UNIT 5 ASBESTOS ABATEMENT	826
1211-0338	REDONDO G/S - UNIT 6 ASBESTOS ABATEMENT	1,943
1211-4200	REDONDO G/S - UNIT 5 ASBESTOS ABATEMENT	540
1214-0346	REDONDO G/S - REPLACE U7 FOURTH POINT HEATER	464
1214-0983	REDONDO G/S - UNIT 7 ASBESTOS ABATEMENT	378
1219-0340	REDONDO G/S - PLANT 1 REPLACE SERVICE WATER TANK AND FOUNDATION	699
1310-8055	ETIWANDA G/S - REPLACE OIL SKIMMER FACILITY	130
1311-4214	ETIWANDA G/S - UNITS 1&2 ASBESTOS ABATEMENT	577
1313-4215	ETIWANDA G/S - UNITS 3&4 ASBESTOS ABATEMENT	1,005
1316-7711	ETIWANDA G/S - CONTROL ROOM INTEGRATION	1,006
3245-7720	ALAMITOS PEAKER - STATION FUEL STORAGE TANKS UPGRADE	104
1513-0846	EL SEGUNDO G/S - REPLACE UNIT 4 STEAM COOLED FRONT WALL BOILER TUBES	197
1513-0847	EL SEGUNDO G/S - REPLACE UNIT 3 TURBINE SPV SYSTEM	339
1513-0848	EL SEGUNDO G/S - FIRST STAGE BLADING ON U3 HP TURBINE	601
1513-0849	EL SEGUNDO G/S - UNIT 3 STEAM COOLED FRONT WALL	912
1513-0856	EL SEGUNDO G/S - REPLACE UNIT 3 HP/IP/LP TURBINE PACKING	186
1513-0868	EL SEGUNDO G/S - UNIT 3 TURBINE 8TH STAGE	219

¹ Revised Joint Comparison Exhibit 400 B for 1997-1998 Capital Additions.

1513-0869	EL SEGUNDO G/S - UNIT 3 HP TURBINE 9TH STAGE	146
1513-0871	EL SEGUNDO G/S - UNIT 3 AIR PREHEATER INTERMEDIATE	118
1513-4218	EL SEGUNDO G/S - REPLACE INSULATION UNIT 3 ASBESTOS ABATEMENT BOILER PIPING AND DUCTS	580
1516-0833	EL SEGUNDO G/S - INSTALL UNIT 1&2 CONTROLS FOR MONITORING PLANT SHUTDOWN UNITS 3&4	166
1612-0628	HUNTINGTON BEACH G/S - REPLACE UNITS 1&2 CHEM LAB MONITORING SYSTEM	230
3265-7705	HUNTINGTON BEACH PEAKER - DISTILLATE FUEL STORAGE TANK UPGRADE	155
1710-6025	MANDALAY G/S - MAGS-AUXBANK-PEAKER, POS 3 & POS 7 RECONDUCTOR	114
1712-0524	MANDALAY G/S - REPLACE UNIT 1 INSULATION CONTAINING ASBESTOS	480
1712-0525	MANDALAY G/S - REPLACE UNIT 2 INSULATION CONTAINING ASBESTOS	403
1712-0535	MANDALAY G/S - ADD ECONOMIZER SECTION SURFACE AREA, UNIT 2	205
1712-6001	MANDALAY G/S - UNIT 1 ENGINEER, DESIGN AND CONSTRUCT SCRS FOR REDUCTION OF NOX	143
1712-6002	MANDALAY G/S - UNIT 2 ENGINEER, DESIGN AND CONSTRUCT SCRS FOR REDUCTION OF NOX	227
3270-0044	MANDALAY PEAKER - SPARE PARTS BLANKET	121
3275-0323	MANDALAY PEAKER - INSTALL UNIT 3 PEAKER FUEL GAS PIPE LINE	247
1931-0433	COOLWATER G/S - REPLACE UNIT 1 2ND POINT FEEDWATER HEATER	250
1931-0434	COOLWATER G/S - REPLACE UNIT 2 2ND POINT FEEDWATER HEATER	202
3025-0310	ELWOOD PEAKER - UPGRADE THE REMOTE START AND CONTROL SYSTEM AT EESF	192
3393-0044	COOLWATER COMBINED CYCLE - SPARE PARTS BLANKET	536
3393-6025	COOLWATER COMBINED CYCLE - CEM'S FOR PART 75	105
3398-0417	COOLWATER COMBINED CYCLE - INSTALL A NEW ACID TANK AT UNIT 3 & 4 B.O.P.	100
3398-0426	COOLWATER COMBINED CYCLE - REPLACE ROW 2 BLADES (SET 2)	549
3398-0442	COOLWATER COMBINED CYCLE - ROW 1 TURBINE BLADES, PURCHASE (CT31)	632
9000-1031	COOLWATER COMBINED CYCLE - SPARE PARTS INVENTORY RECONCILIATION	834
1216-0358	RGS - PROVIDE REVENUE METERING REQUIRED TO PARTICIPATE IN WEPEX	706
1316-0812	ETGS - PROVIDE REVENUE METERING REQUIRED TO PARTICIPATE IN WEPEX	364
1416-0401	ALGS - PROVIDE REVENUE METERING REQUIRED TO PARTICIPATE IN WEPEX	897
1516-0854	ELGS - PROVIDE REVENUE METERING REQUIRED TO PARTICIPATE IN WEPEX	346
1616-0631	HBGS - PROVIDE REVENUE METERING REQUIRED TO PARTICIPATE IN WEPEX	414
1716-0551	MAGS - PROVIDE REVENUE METERING REQUIRED TO PARTICIPATE IN WEPEX	245

1936-0436	CWGS - PROVIDE REVENUE METERING REQUIRED TO PARTICIPATE IN WEPEX	143
1936-0438	CWGS - ADD 115KV CIRCUIT BREAKERS FOR THE DIVESTITURE SWITCHRACKS ON GENERATOR UNITS	465
1966-0365	HIGS - PROVIDE REVENUE METERING REQUIRED TO PARTICIPATE IN WEPEX	207
1996-0372	SBGS - PROVIDE REVENUE METERING REQUIRED TO PARTICIPATE IN WEPEX	130
1996-0373	SBGS - ADD 115KV CIRCUIT BREAKERS FOR DIVESTITURE SWITCHRACKS ON GENERATOR UNITS	494
3025-0311	ELWOOD PEAKER - PROVIDE REVENUE METERING REQUIRED TO PARTICIPATE IN WEPEX	114
3398-0437	CWCC - PROVIDE REVENUE METERING REQUIRED TO PARTICIPATE IN WEPEX	257
9575-9730	NOR - SLIGER 95 VARIOUS INSTALL. PROTECTION EQUIPMENT FOR GROUND POTENTIAL RISE	137
9585-9714	WES – TESSAMA 95 VARIOUS SCENET INDOOR INFRASTRUCTURE	132
	Production Projects under \$100K	2,624
	Transmission Projects under \$100K	297
	Site Specific Projects under \$100K (Telecommunications Equip.)	672
	Site Specific Projects under \$100K (All other)	454
		<hr/>
	Total	=\$25,959

APPENDIX C:¹
COSTS PREVIOUSLY AMORTIZED
OIL & GAS PLANTS DIVESTED AT A LOSS²

Work Order	Description	Gross Additions (\$000)
1726-0070	OBGS BLANKET - PERSONAL COMPUTERS AND RELATED EQUIPMENT	115
1727-0544	ORMOND BEACH G/S - REPLACE UNIT 1 SOUTH 4 TH POINT HEATER	342
1727-0554	ORMOND BEACH G/S - REPLACE WESTINGHOUSE WDPF SYSTEM ON UNIT 2	897
1727-0555	ORMOND BEACH G/S - REPLACE WESTINGHOUSE WDPF CONTROL SYSTEM ON UNIT 1	954
1727-0557	ORMOND BEACH G/S - REPLACE GE EHC MARK I CONTROL SYSTEM	547
1727-4205	ORMOND BEACH G/S – REPLACE ASBESTOS INSULATION ON UNIT 1 TURBINE	253
3310-0456	LONG BEACH G/S - REPLACE UNIT #9 THRUST BEARING AND JOURNAL BEARING	485
3316-0480	LONG BEACH G/S - CT#1 PURCHASE NEW TURBINE BLADES, VANES, HEATSHIELDS, AND HARDWARE	5,368
3316-0493	LONG BEACH G/S - REPLACE COMBUSTION TURBINE HEAT RECOVERY BOILER TRANSITION DUCTS CT1	305
1726-0559	OBGS – PROVIDE REVENUE METERING REQUIRED TO PARTICIPATE IN WEPEX	420
3316-0500	LBGS – PROVIDE REVENUE METERING REQUIRED TO PARTICIPATE IN WEPEX	580
		<hr/>
		Total =\$10,266

¹ Revised Joint Comparison Exhibit 400 B for 1997-1998 Capital Additions.

² Ormond Beach and Long Beach Generating Stations.